

AMENDED IN SENATE APRIL 18, 2006
AMENDED IN SENATE SEPTEMBER 2, 2005
AMENDED IN ASSEMBLY APRIL 14, 2005

CALIFORNIA LEGISLATURE—2005–06 REGULAR SESSION

ASSEMBLY BILL

No. 677

Introduced by Assembly Member Parra

February 17, 2005

An act to add Section ~~454.55 to~~ 454.52 to, and to add and repeal Section 454.53 of, to the Public Utilities Code, relating to public utilities.

LEGISLATIVE COUNSEL'S DIGEST

AB 677, as amended, Parra. ~~Procurement—Public utilities:~~ *procurement plans: waste gas.*

(1) Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical corporations. The Public Utilities Act requires the commission to review and adopt a procurement plan for each electrical corporation in accordance with specified elements, incentive mechanisms, and objectives.

~~This bill would require a procurement plan to include a prescribed component for the procurement of electricity generated using waste gas, as defined.~~ *This bill would provide that electricity generated by a project that operates solely on waste gas, as defined, is eligible to participate in an electrical corporation's procurement plan without regard to the size of the project. The bill would require, until January 1, 2017, that an electrical corporation procure electricity generated by a pilot project that generates electricity solely utilizing waste gas*

and that meets certain conditions, up to an aggregate limit of 25 megawatts of peak generation from all pilot projects. The term of an electricity procurement contract from a pilot project would be 10 years. The bill would make legislative findings and declarations. By establishing a new component for electrical corporation procurement plans, the violation of which would be a crime under existing law, this bill would change the definition of a crime, thereby imposing a state-mandated local program.

(2) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) The in-state production of petroleum products provides
- 4 economic benefits to the state and to the economy by reducing
- 5 dependence on foreign oil and by creating jobs and tax revenues.
- 6 (b) Natural gas that is produced as a byproduct of in-state
- 7 petroleum production operations that is not eligible for delivery
- 8 into the utility pipeline system is being flared into the atmosphere
- 9 or reinjected into the ground, both significant sources of air
- 10 pollution.
- 11 (c) Flaring and reinjecting this gas wastes a low-cost
- 12 clean-burning fuel that, like gas produced at landfills, can be
- 13 used to generate electricity.
- 14 (d) An alternative to flaring or reinjecting natural gas that is
- 15 generated as a byproduct of in-state petroleum production
- 16 operations is using it to generate electricity, like gas produced at
- 17 landfills. Utilization of this natural gas as a low-cost fuel to
- 18 generate electricity will reduce air pollution and produce
- 19 low-cost electricity for California consumers, providing both
- 20 economic and environmental benefits to the state.

1 (e) It is in the public interest to utilize this natural gas to
2 generate electricity because to do so reduces air pollution,
3 provides a low-cost source of electricity and contributes to
4 domestic energy security and economic growth in this state.

5 *SEC. 2. Section 454.52 is added to the Public Utilities Code,*
6 *as immediately following Section 454.5, to read:*

7 *454.52. (a) The electricity generated by a project that*
8 *operates solely on waste gas shall be eligible to participate in*
9 *any procurement conducted pursuant to Section 454.5, without*
10 *regard to the size of the project.*

11 *(b) The commission, the Independent System Operator, and an*
12 *electrical corporation, in carrying out their respective duties,*
13 *shall take into consideration the small scale of the distributed*
14 *generation projects that operate solely on waste gas, and shall*
15 *not impose a requirement that such a project produce a minimum*
16 *amount of electricity in order to be scheduled into the*
17 *transmission grid, and shall permit aggregation of projects.*

18 *(c) As used in this section, "waste gas" means natural gas that*
19 *meets all of the following criteria:*

20 *(1) It is produced as a byproduct of in-state petroleum*
21 *production operations.*

22 *(2) It is not eligible for delivery to the utility natural gas*
23 *pipeline system.*

24 *(3) It would otherwise be flared into the atmosphere or*
25 *reinjecting into the ground.*

26 *SEC. 3. Section 454.53 is added to the Public Utilities Code,*
27 *to read:*

28 *454.53. (a) An electrical corporation shall procure*
29 *electricity generated by a pilot project that generates electricity*
30 *solely utilizing waste gas if all of the following requirements are*
31 *met:*

32 *(1) The State Energy Resources Conservation and*
33 *Development Commission certifies that the project operates*
34 *solely on natural gas that is produced as a byproduct of in-state*
35 *petroleum production operations, and that is not eligible for*
36 *delivery into the utility pipeline system because of quality or*
37 *location, and that would otherwise be flared into the atmosphere*
38 *or reinjected into the ground.*

39 *(2) The air quality management district or air pollution*
40 *control district, in issuing a permit to operate the project,*

1 *determines that the operation of the project will produce an*
2 *onsite net air emissions benefit, compared to permitted onsite*
3 *emissions if the project does not operate, consistent with the*
4 *district's treatment of permits to generate electricity using*
5 *landfill gas.*

6 *(3) The contract price for the electricity generated by the pilot*
7 *project does not exceed six cents (\$0.06) per kilowatthour.*

8 *(4) The peak generating capacity of the pilot project does not*
9 *exceed five megawatts.*

10 *(b) An electrical corporation shall contract to procure*
11 *electricity generated by a pilot project meeting the requirements*
12 *of subdivision (a) on a first-come-first-served basis, until the*
13 *electrical corporation's total aggregate peak purchases of*
14 *electricity from all pilot projects are 25 megawatts. An electrical*
15 *corporation may purchase more than 25 megawatts of electricity*
16 *generated from projects that solely utilize waste gas, consistent*
17 *with a procurement plan approved by the commission pursuant*
18 *to Section 454.5.*

19 *(c) A contract for the purchase of electricity generated by a*
20 *pilot project meeting the requirements of subdivision (a) shall be*
21 *for a term of 10 years.*

22 *(d) This section shall remain in effect only until January 1,*
23 *2017, and as of that date is repealed, unless a later enacted*
24 *statute, that is enacted before January 1, 2017, deletes or extends*
25 *that date.*

26 ~~SEC. 2.—Section 454.55 is added to the Public Utilities Code,~~
27 ~~to read:~~

28 ~~454.55.—(a) A procurement plan developed by an electrical~~
29 ~~corporation pursuant to subdivision (b) of Section 454.5 shall~~
30 ~~include a component for the procurement of electricity generated~~
31 ~~using waste gas.~~

32 ~~(b) The electricity generated by a project that operates solely~~
33 ~~on waste gas shall be eligible to participate in any procurement~~
34 ~~conducted pursuant to Section 454.5, without regard to the size~~
35 ~~of the project.~~

36 ~~(c) The electricity generated by a project that operates solely~~
37 ~~on waste gas shall be procured by an electrical corporation~~
38 ~~pursuant to its procurement plan in the same order of priority as~~
39 ~~renewable resources, if all of the following requirements are met:~~

1 ~~(1) The State Energy Resources Conservation and~~
2 ~~Development Commission certifies that the project operates~~
3 ~~solely on natural gas that is produced as a byproduct of in-state~~
4 ~~petroleum production operations that is not eligible for delivery~~
5 ~~into the utility pipeline system because of quality or location, and~~
6 ~~that would otherwise be flared into the atmosphere or reinjected~~
7 ~~into the ground.~~

8 ~~(2) The air quality management district or air pollution control~~
9 ~~district, in issuing a permit to operate the project, determines that~~
10 ~~the operation of the project will produce an onsite net air~~
11 ~~emissions benefit, compared to permitted onsite emissions if the~~
12 ~~project does not operate, consistent with the district's treatment~~
13 ~~of permits to generate electricity using landfill gas.~~

14 ~~(3) A contract entered into for electric generation using waste~~
15 ~~gas described in this section is set at or below the market price~~
16 ~~established by the commission pursuant to Section 399.15 under~~
17 ~~the Renewables Portfolio Standard Program.~~

18 ~~(d) The commission, the Independent System Operator, and an~~
19 ~~electrical corporation, in carrying out their respective duties,~~
20 ~~shall take into consideration the small scale of the distributed~~
21 ~~generation projects that operate solely on waste gas, and shall not~~
22 ~~impose a requirement that such a project produce a minimum~~
23 ~~amount of electricity in order to be scheduled into the~~
24 ~~transmission grid, and shall permit aggregation of projects.~~

25 ~~(e) As used in this section, "waste gas" means natural gas that~~
26 ~~meets all of the following criteria:~~

27 ~~(1) It is produced as a byproduct of in-state petroleum~~
28 ~~production operations.~~

29 ~~(2) It is not eligible for delivery to the utility pipeline system.~~

30 ~~(3) It would otherwise be flared into the atmosphere or~~
31 ~~reinjecting into the ground.~~

32 ~~SEC. 3.~~

33 *SEC. 4.* No reimbursement is required by this act pursuant to
34 Section 6 of Article XIII B of the California Constitution because
35 the only costs that may be incurred by a local agency or school
36 district will be incurred because this act creates a new crime or
37 infraction, eliminates a crime or infraction, or changes the
38 penalty for a crime or infraction, within the meaning of Section
39 17556 of the Government Code, or changes the definition of a

- 1 crime within the meaning of Section 6 of Article XIII B of the
- 2 California Constitution.

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